

American Lung Association of the
Plains - Gulf Region, Inc.

Financial Statements

June 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date FEB 15 2012

American Lung Association of the
Plains - Gulf Region, Inc.

Financial Statements

June 30, 2011

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position, June 30, 2011	3
Statement of Activities, For the year ended June 30, 2011	4
Statement of Cash Flows, For the year ended June 30, 2011	6
Statement of Functional Expenses, For the year ended June 30, 2011	8
Notes to Financial Statements	10
Supplemental Information· Not a required part of the basic financial statements	
Schedule of Expenditures of Federal Awards, For the year ended June 30, 2011	23
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	27
Schedule of Findings and Questioned Costs, For the year ended June 30, 2011	30



ALBRIGHT, HILL & SUMPTER
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

Independent Auditor's Report

To the Board of Directors
American Lung Association of the Plains - Gulf Region, Inc.

We have audited the accompanying Statement of Financial Position of American Lung Association of the Plains - Gulf Region, Inc. and the related Statements of Activities, Cash Flows and Functional Expenses as of and for the year ended June 30, 2011. These financial statements are the responsibility of American Lung Association of the Plains - Gulf Region, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of American Lung Association of the Plains - Gulf Region, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Lung Association of the Plains - Gulf Region, Inc., as of June 30, 2011, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2011 on our consideration of American Lung Association of the Plains - Gulf Region, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements as a whole.

Albright, Hill & Sumpter, PC
Certified Public Accountants

A handwritten signature in black ink that reads "Albright, Hill & Sumpter". The signature is written in a cursive, flowing style.

August 24, 2011

American Lung Association of the Plains - Gulf Region, Inc.
Statement of Financial Position
June 30, 2011

Assets

Current assets	
Cash and cash equivalents	\$ 1,202,883
Accounts receivable	1,295,384
Pledges receivable	395
Prepaid expenses/inventories	105,031
Total current assets	<u>2,603,693</u>
Investments	7,125,377
Property and equipment, net	2,387,359
Prepaid pension costs	441,013
Long-term split-interest agreements	49,428
Beneficial interest in a perpetual trust	719,659
Total assets	<u><u>\$ 13,326,529</u></u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 381,102
Accrued liabilities	511,245
Grant advances	281,038
Payable to National Office	172,826
Total current liabilities	<u>1,346,211</u>
Unfunded accumulated pension benefit obligation	137,327
Liabilities related to split-interest agreements	96,060
Total liabilities	<u>1,579,598</u>
Net assets	
Unrestricted	8,770,444
Temporarily restricted	1,391,738
Permanently restricted	1,584,749
Total net assets	<u>11,746,931</u>
Total liabilities and net assets	<u><u>\$ 13,326,529</u></u>

The accompanying notes are an integral part of this statement.

American Lung Association of the Plains - Gulf Region, Inc.
Statement of Activities
For the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
Direct mail	\$ 3,200,997	\$ -	\$ -	\$ 3,200,997
Promotions	46,698	-	-	46,698
Special events, net of direct expenses of \$324,728	1,538,936	-	-	1,538,936
Other contributions				
Workplace giving	607,461	-	-	607,461
Memorials	216,252	-	-	216,252
Bequests	1,043,004	-	-	1,043,004
Trust income	49,783	-	-	49,783
Individual gifts	304,890	-	-	304,890
Corporate gifts	627,040	-	-	627,040
Foundation gifts	112,564	-	-	112,564
In-kind contributions	1,039,635	-	-	1,039,635
Revenue				
Corporate grants	49,575	-	-	49,575
Foundation grants	423,580	-	-	423,580
Government grants	1,947,762	-	-	1,947,762
ALA grants	35,805	-	-	35,805
Interest and dividend income	133,767	39,375	-	173,142
Program service fees	491,421	-	-	491,421
Royalties and rental income	78,896	-	-	78,896
Other	56,380	-	-	56,380
Released from restrictions	427,002	(427,002)	-	-
Total public support and revenue	12,431,448	(387,627)	-	12,043,821

The accompanying notes are an integral part of this statement.

American Lung Association of the Plains - Gulf Region, Inc.
Statement of Activities
For the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses.				
Program services				
Asthma	1,735,631	-	-	1,735,631
Community health	175,768	-	-	175,768
Environmental health	1,456,510	-	-	1,456,510
Tobacco control	4,730,008	-	-	4,730,008
Other lung disease	618,669	-	-	618,669
Research	466,924	-	-	466,924
Total program services	9,183,510	-	-	9,183,510
Supporting activities				
Fund raising	2,561,241	-	-	2,561,241
Management and general	908,028	-	-	908,028
Total supporting activities	3,469,269	-	-	3,469,269
Total expenses	12,652,779	-	-	12,652,779
Changes in net assets from operations	(221,331)	(387,627)	-	(608,958)
Non-operating activities				
Realized gain on investments	462,632	6,807	-	469,439
Unrealized gain on investments	207,948	277,750	-	485,698
Pension liabilities	(14,910)	-	-	(14,910)
Change in value of perpetual trusts and split-interest agreements	(37,514)	-	32,906	(4,608)
Sale of assets	859,924	-	-	859,924
Total change in net assets	1,256,749	(103,070)	32,906	1,186,585
Net assets, beginning of year	7,513,695	1,494,808	1,551,843	10,560,346
Net assets, end of year	<u>\$ 8,770,444</u>	<u>\$1,391,738</u>	<u>\$1,584,749</u>	<u>\$11,746,931</u>

The accompanying notes are an integral part of this statement.

American Lung Association of the Plains - Gulf Region, Inc.
Statement of Cash Flows
For the year ended June 30, 2011

Cash flows from operating activities	
Change in net assets	\$ 1,186,585
Adjustments to reconcile changes in net assets to net cash (used in) operating activities.	
Cash transferred in from merger	23,739
Depreciation	132,111
(Gain) on sale of property	(859,924)
Realized (gain) on sale of investments	(469,439)
Unrealized (gain) on investments	(485,698)
(Increase) in accounts and pledges receivable	(505,703)
(Increase) in prepaid expenses and inventories	(10,090)
(Increase) in prepaid pension expenses	(146,882)
Decrease in long-term split-interest assets	26,959
(Increase) in beneficial interest in a perpetual trust	(32,906)
(Decrease) in payable to National Office	(91,625)
Increase in accounts payable	85,536
Increase in grant advances	281,038
(Decrease) in accrued liabilities	(132,912)
(Decrease) in deferred revenue	(164,334)
Increase in unfunded accumulated pension benefit obligation	137,327
(Decrease) in split-interest liability	(12,970)
Net cash (used in) operating activities	<u>(1,039,188)</u>
Cash flows from investing activities	
Purchase of investments	(213,745)
Purchase of property and equipment	(25,578)
Proceeds from sale of property and equipment	1,782,771
Net cash provided by investing activities	<u>1,543,448</u>
Cash flows from financing activities	
Payments on long-term debt	(397,078)
Net cash (used in) financing activities	<u>(397,078)</u>
Net increase in cash	107,182
Beginning cash	1,095,701
Ending cash	<u>\$ 1,202,883</u>
Supplemental information:	
Interest paid	<u>\$ 25,727</u>
In-kind donations	<u>\$ 1,039,635</u>
Net non-cash assets transferred as a result of merger	<u>\$ 1,289,921</u>

The accompanying notes are an integral part of this statement.

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American Lung Association of the Plains - Gulf Region, Inc.
Statement of Functional Expenses
For the year ended June 30, 2011

	Asthma	Community Health	Environmental Health	Tobacco Control
Personnel expenses	\$ 539,955	\$ 52,493	\$ 551,960	\$ 2,074,686
Program expenses	191,172	1,527	9,732	435,359
Professional fees	279,239	32,817	409,489	564,033
Interest expense	2,598	253	2,655	9,981
Supplies	25,365	240	3,186	55,452
Telecommunications	19,659	1,880	20,190	82,414
Postage and shipping	144,714	11,445	89,810	256,540
Occupancy	81,437	7,917	83,247	312,907
Repairs and maintenance	8,064	784	8,243	36,945
Travel and conferences	31,020	912	15,401	107,354
Printing and publications	282,492	14,787	151,092	490,954
Dues and subscriptions	395	38	843	5,736
Depreciation	17,186	1,671	17,568	66,034
Service fees	87	171	-	533
Staff development	-	-	-	200
Volunteer development	-	-	-	-
Bad debt expense	-	-	-	-
Other taxes	-	-	-	-
Miscellaneous	-	-	-	-
Support to National Research	-	-	-	-
Total operating expenses	<u>1,623,383</u>	<u>126,935</u>	<u>1,363,416</u>	<u>4,499,128</u>
Payment to National Office	<u>112,248</u>	<u>48,833</u>	<u>93,094</u>	<u>230,880</u>
Total expenses	<u><u>\$ 1,735,631</u></u>	<u><u>\$ 175,768</u></u>	<u><u>\$ 1,456,510</u></u>	<u><u>\$ 4,730,008</u></u>

The accompanying notes are an integral part of this statement.

American Lung Association of the Plains - Gulf Region, Inc.
Statement of Functional Expenses
For the year ended June 30, 2011

Other Lung Disease	Research	Fund Raising	Management and General	Total
\$ 122,836	\$ -	\$ 873,120	\$ 346,949	\$ 4,561,999
116,713	-	-	-	754,503
65,148	64,060	223,248	111,346	1,749,380
590	-	3,217	6,433	25,727
1,759	-	15,598	7,542	109,142
4,398	-	12,386	19,691	160,618
22,729	1,973	475,167	17,137	1,019,515
18,526	-	48,792	73,335	626,161
1,834	-	7,695	11,081	74,646
25,736	-	70,465	174,004	424,892
36,696	404	753,600	9,855	1,739,880
564	-	3,579	6,466	17,621
3,910	-	10,297	15,445	132,111
689	-	46,547	7,566	55,593
-	-	98	913	1,211
-	-	176	1,505	1,681
-	-	-	9,775	9,775
-	-	-	1,702	1,702
-	-	-	1,005	1,005
-	322,837	-	-	322,837
422,128	389,274	2,543,985	821,750	11,789,999
196,541	77,650	17,256	86,278	862,780
<u>\$ 618,669</u>	<u>\$ 466,924</u>	<u>\$ 2,561,241</u>	<u>\$ 908,028</u>	<u>\$ 12,652,779</u>

The accompanying notes are an integral part of this statement.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In fulfilling its responsibility for the preparation of American Lung Association of the Plains - Gulf Region, Inc.'s (the Association) financial statements and disclosures, management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine, measure, allocate and make certain assumptions regarding resources and obligations within the financial process according to these principles. Below are certain significant accounting policies selected by management.

Nature and Purpose of the Association

Effective July 1, 2010, the American Lung Association of the Central States merged with the American Lung Association of the Mid-South and changed its name to the American Lung Association of the Plains - Gulf Region, Inc.

American Lung Association of the Plains - Gulf Region, Inc. (the Association) is a non-profit, charitable organization committed to fighting lung disease, a leading cause of preventable death and disability and promoting lung health through education, advocacy, research and community programs for all residents of the central region including Alabama, Arkansas, Kansas, Louisiana, Texas, Oklahoma, Mississippi, Missouri and Nebraska. The majority of the Association's income is derived from contributions from the general public.

Summary of Significant Accounting Policies

This summary of significant accounting policies of the Association is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The Association reports information regarding its financial activities according to three classes of net assets. unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets – Unrestricted net assets represent resources that are not subject to donor imposed restrictions. Unrestricted net assets result from operating revenues, unrestricted contributions, unrestricted dividend

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

and interest income, less expenses incurred in operations, and are used to raise contributions and for administrative functions. Unrestricted net assets may be designated for specific purposes by the Board of Directors.

Temporarily restricted net assets – Temporarily restricted net assets represent resources which are temporarily restricted by donor-imposed limitations. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets – Permanently restricted net assets represent resources which are permanently restricted by the donor(s). Generally, the donor(s) of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions primarily relate to valuation of investments and receivables, the lives used to depreciate fixed assets, defined benefit pension obligations and the allocation of functional expenses. Accordingly, actual results could differ from these estimates and assumptions. The methods used in making accounting estimates are believed by management to be reasonable and have been consistently applied.

Statement of Cash Flows

The Statement of Cash Flows is presented using the indirect method. For the purpose of this statement, the Association considers all cash on hand, cash in checking accounts, money market accounts and investments with maturities at acquisition of three months or less as cash and cash equivalents.

Investments

Investments are carried at estimated fair value. Realized and unrealized gains or losses on investments are determined by comparison of specific costs of acquisition to proceeds at the time of disposal, or estimated fair value at the date of the Statement of Financial Position and are reported in the Statement of Activities. The Association has an investment policy that sets guidelines and constraints to ensure that the portfolio is appropriately diversified.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

Receivables

The reserve method is used in accounting for bad debts. The allowance for bad debts is evaluated quarterly primarily by reviewing accounts greater than 90 days old and the allowance is adjusted as deemed necessary based on experience. An account is deemed to be a bad debt when collection by internal collection efforts is determined to be unlikely. Management considers all receivables at June 30, 2011 to be collectible.

Property and Equipment

Property and equipment are stated at cost or at the estimated fair value, at the date of donation, in the case of donated assets. Purchases under \$1,000 and the cost of repair and maintenance are expensed as incurred.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets. Lives used in computing depreciation by asset category are as follows:

Category	Lives
Buildings	40 years
Building improvements	10-15 years
Automobiles	4-5 years
Office equipment, furniture and fixtures	3-12 years

Long-lived assets, such as property and equipment, are reviewed for impairment when impairment is indicated. Impairment is based on a comparison of carrying value against undiscounted future cash flows. If impairment is identified, the assets carrying amounts are adjusted to estimated fair value. There were no such adjustments during the year ended June 30, 2011.

Grant Advances

The Association receives grants which are distributed through advance payments. Grant revenue is recorded at the time the expenses are incurred. Any funds that are received prior to the work being performed are recorded as grant advances. If not used for the specific purposes, these funds are required to be returned to the grantor.

Contributions

The Association accounts for contributions in accordance with Financial Accounting Standards Board (FASB) ASC 958. Contributions received are recorded as

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions.

When a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted or permanently restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If the restriction is met or expires in the same year the contribution is received, the amount is classified as unrestricted.

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

The Association is exempt from state margin taxes. Accordingly, no provision for state margin tax has been recorded in the accompanying financial statements.

Functional Allocation of Expenses

The Association allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service activity are allocated directly according to their natural classification. Other expenses, that are common to several functions, are allocated by management's estimate of resources devoted to the program or supporting service activity.

NOTE 2 – INVESTMENTS

Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurements*, establishes a framework for measuring value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted fair prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1– Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

Level 2– Inputs to the valuation methodology include.

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices of identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability,
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
- If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3– Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

<i>U.S. Government Obligations:</i>	Valued using quoted prices for investments with similar yields.
<i>Equity Securities.</i>	Quoted market prices
<i>Mutual Funds:</i>	Valued at the net asset value (NAV) per unit at year end.
<i>Debt Securities:</i>	Valued using quoted prices for investments with similar yields and bond ratings.

The methods described above may produce fair value estimates that may not be indicative of net realizable value or reflective of future estimated fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

The following table sets forth by level, within the fair value hierarchy, the Association's investments at estimated fair value as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. government obligations	\$ -	\$ 352,874	\$ -	\$ 352,874
Equity securities	2,206,158	-	-	2,206,158
Debt securities	-	1,109,157	-	1,109,157
Mutual funds	-	3,457,188	-	3,457,188
Total	<u>\$2,206,158</u>	<u>\$4,919,219</u>	<u>\$ -</u>	<u>\$7,125,377</u>

Investment income at June 30, 2011 included the following.

Interest and dividends	\$ 173,142
Realized gain	469,439
Unrealized gain	485,698
Total	<u>\$1,128,279</u>

NOTE 3 – BENEFICIAL INTEREST IN PERPETUAL TRUST

The Association is a beneficiary of two perpetual trusts, whereby the Association has the irrevocable right to receive a portion of the income earned on the trust's assets in perpetuity. The estimated values of these interests have been recorded in the Statement of Financial Position at the estimated fair value of the Association's interest in the trust's assets. Cash receipts are recorded as income when received.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment by major class are as follows:

Land	\$ 391,331
Building and improvements	2,422,085
Furniture and equipment	1,464,702
Automobile	86,191
Other	1,500
	<u>4,365,809</u>
Less: accumulated depreciation	<u>(1,978,450)</u>
Total	<u>\$2,387,359</u>

Depreciation expense for the year ended June 30, 2011 was \$132,111.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

NOTE 5 – MORTGAGE PAYABLE

The Association had a mortgage note payable to a bank secured by real property in Tulsa, Oklahoma with interest at 7.5% per annum and monthly payments of \$4,666.17 until December 20, 2021.

This mortgage note payable was paid in full in June 2011. Interest expense for the year ended June 30, 2011 was \$25,727.

NOTE 6 – RELATED PARTIES

As a constituent of the National American Lung Association (National) for 2011, the Association has entered into an agreement which provides for sharing of certain support revenues based on the proportionate cost of the National American Lung Association's budget and 30% of net revenue from direct mail. Shared revenue and support paid to National was \$1,085,336 for the year ended June 30, 2011. The Association also paid to National shared costs of direct mail of \$2,420,484 for the year ended June 30, 2011. In addition, the Association received grants from National totaling \$35,805 for the year ended June 30, 2011.

As of June 30, 2011, the receivable from National was \$0 and the payable to National was \$172,826.

NOTE 7 – RESTRICTED NET ASSETS

Included in unrestricted investments and net assets at June 30, 2011 are board designated funds for the James Griffith Scholarship fund and the Miller Scholarship fund. These funds have been carried forward from American Lung Association of the Mid-South as a result of a merger (see Note 14).

Temporarily restricted net assets as of June 30, 2011 consisted of the following

Research	\$ 1,387,975
Income from Camp SuperKids	2,762
Income from Hughes Memorial	1,001
Total temporarily restricted net assets	<u>\$ 1,391,738</u>

Permanently restricted net assets at June 30, 2011 consisted of the following:

Hughes Memorial Fund	\$ 31,466
Camp SuperKids	15,680
James Griffith Endowment	50,677
Research fund	767,267
Beneficial interest in perpetual trust	719,659
Total permanently restricted net assets	<u>\$ 1,584,749</u>

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Association occasionally has amounts on deposit at financial institutions that exceed the FDIC insurance limit. The Association believes there is no significant risk with respect to these deposits.

In the normal course of business the Association leases office space and various office equipment. The Association receives free rent for certain periods. The Association amortizes these rents over the life of the lease. As of June 30, 2011, the unamortized liability was \$34,750.

Future minimum rents for the fiscal years ending June 30, are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 346,969
2013	263,573
2014	206,654
2015	20,161
Total	<u>\$ 837,357</u>

Total occupancy and rental expenses were \$626,161 for the year ended June 30, 2011.

NOTE 9 – IN-KIND DONATIONS

Donated materials and services of \$1,039,635 for the year ended June 30, 2011, were recorded at estimated fair value at the date of donation and have been included in public support and expenses in the financial statements.

NOTE 10 – UNITED WAY JOINT CAMPAIGN

The Association has contracted with the United Way of Greater St. Louis, Oklahoma City and Tulsa (United Way) to conduct an annual campaign named "Joint Campaign in Business and Industry" (the Campaign). The agreements call for the United Way to act as the primary fund raising agent with business and industry on behalf of the Association. Workplace giving of \$607,461 is related to the Campaign for the year ended June 30, 2011.

NOTE 11 – DEFINED CONTRIBUTION RETIREMENT PLAN

The Association has a defined contribution pension plan under Internal Revenue Code Section 403(b) that covers substantially all of its employees. Employees may contribute a percentage of their salary to the plan, subject to certain limitations

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

imposed by the Internal Revenue Code. The Association matches these contributions upon six months of service. Matching contributions of \$143,427 were included in the Statement of Activities for the year ended June 30, 2011.

NOTE 12 – DEFINED BENEFIT RETIREMENT PLAN

The Association had three noncontributory defined benefit plans for employees in Alabama, Louisiana and Mississippi who have been employed for one year and have attained the age of 21. As of June 30, 2010, prior to the merger described in Note 14, the board of American Lung Association of the Mid-South voted to freeze all assets and benefits of this plan.

The following table shows the funded status of the Association's pension plan at June 30, 2011.

Accumulated benefit obligation	\$ 779,857
Fair value of plan assets	<u>1,083,543</u>
Excess of fair value of plan assets over projected benefit obligation (prepaid benefit cost)	<u>\$ 303,686</u>
Minimum liability	<u>\$ -</u>

For the year ended June 30, 2011:

Benefit cost	<u>\$(24,465)</u>
Employer contributions	<u>\$ -</u>
Participant contributions	<u>\$ -</u>
Benefits paid	<u>\$ -</u>

Assumptions used in the computation for the year ended June 30, 2011 were as follows.

Assumed discount rate	5.50%
Expected return on plan assets	6.50%
Rate of compensation increase	3.00%

For 2011, the expected long-term rate of return on assets assumption is 6.0% (previously 6.5%). As defined in FAS 87, this assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. The assumption was determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

No plan assets are expected to be returned to the employer during the July 1, 2011 to June 30, 2012 fiscal year.

Expected Future Benefit Payments

<u>Fiscal Year</u>	
2011	\$ 49,202
2012	42,704
2013	43,906
2014	336,009
2015	7,680
2016-2019	162,673
Total	<u>\$ 642,174</u>

The following benefit payments which reflect expected future service, as appropriate, are expected to be paid.

Plan Assets by Category

	<u>As of June 30, 2011</u>
Equity	17.11%
Debt securities	76.52%
Real estate	5.10%
General account	1.27%
Total	<u>100.0%</u>

NOTE 13 – ALLOCATION OF JOINT COSTS

Joint costs are the costs of conducting joint activities that are not identifiable with a particular component of the activity. The Association incurred joint costs for the distribution of informational materials in the direct mail campaign. Of these costs, \$1,241,635 was allocated to program services and \$1,178,885 was allocated to supporting services.

NOTE 14 – MERGER

In June 2009, the American Lung Association of the Central States' Board of Directors approved a memorandum of understanding with the American Lung Association of the Mid-South to implement a merger effective for the new fiscal year beginning July 1, 2010. As of June 18, 2010, the merger was accepted by the State of Missouri, effective July 1, 2010.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

American Lung Association of the Central States was composed of six states: Arkansas, Kansas, Missouri, Nebraska, Oklahoma and Texas. American Lung Association of the Mid-South was comprised of three states. Louisiana, Mississippi and Alabama. The new agency was named American Lung Association of the Plains - Gulf Region, Inc. and serves nine states.

The impact of this merger on July 1, 2010 was as follows.

	July 1, 2010		
	American Lung Association of the Central States	American Lung Association of the Mid-South	Merged Entity American Lung Association of the Plains - Gulf Region, Inc.
Assets			
Cash and cash equivalents	\$ 1,095,701	\$ 23,739	\$ 1,119,440
Investments	5,226,906	729,589	5,956,495
Accounts receivable	700,169	75,570	775,739
Split-interest agreements	76,387	-	76,387
Beneficial interest in perpetual trusts	247,894	438,859	686,753
Prepaid pension costs	-	294,131	294,131
Prepaid expenses/inventories	96,296	12,982	109,278
Property and equipment, net	3,408,975	7,764	3,416,739
Total assets	<u>\$10,852,328</u>	<u>\$ 1,582,634</u>	<u>\$ 12,434,962</u>
Current liabilities			
Accounts payable and accrued liabilities	\$ 980,308	\$ 223,866	\$ 1,204,174
Deferred revenue	164,334	-	164,334
Liabilities related to split-interest agreements	109,030	-	109,030
Mortgages and notes payable	351,970	45,108	397,078
Total liabilities	<u>1,605,642</u>	<u>268,974</u>	<u>1,874,616</u>
Net assets			
Unrestricted	7,100,124	413,571	7,513,695
Temporarily restricted	1,253,349	241,459	1,494,808
Permanently restricted	893,213	658,630	1,551,843
Total net assets	<u>9,246,686</u>	<u>1,313,660</u>	<u>10,560,346</u>
Total liabilities and net assets	<u>\$10,852,328</u>	<u>\$ 1,582,634</u>	<u>\$ 12,434,962</u>

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

NOTE 15 – GIFT ANNUITIES

The Association administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Association's use. The portion of the trust attributable to the present value of the future benefits to be received by the Association is recorded in the Statement of Activities as temporarily restricted contributions in the period the trust is established. Such contributions totaled \$0 in 2011. Assets held in the charitable remainder trusts totaled \$49,428 as of June 30, 2011 and were reported at estimated fair value in the Association's Statement of Financial Position. On an annual basis, the Association revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments was \$96,060 as of June 30, 2011. The present value is calculated using a discount rate of 3.5% and applicable mortality tables.

NOTE 16 – DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER FASB ASC 740

The Association files an annual federal income tax return. With few exceptions, the Association is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2007.

The Association has adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. There were no unrecognized tax benefits as of June 30, 2011.

The Association recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. There were no such interest and penalties for 2011.

NOTE 17 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Association and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

American Lung Association of the Plains - Gulf Region, Inc.
Notes to Financial Statements
June 30, 2011

NOTE 18 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to June 30, 2011 through the issue date of the financial statements, August 24, 2011. Based on this review, no events have occurred requiring disclosure.

American Lung Association of the Plains - Gulf Region, Inc.
Schedule of Expenditures of Federal Awards
June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>	<u>ARRA Funds Included in Total</u>
<u>U.S. Department of Health & Human Services</u>			
Passed-through Mississippi State Department of Health			
Asthma Coalition of Mississippi	93.070	\$ 132,790	\$ -
Passed-through Oklahoma State Department of Health			
Asthma Initiative	93.070	29,092	-
Passed-through Texas Department of State Health Services			
Healthy Indoor Environments - TX DHHS	93.283	36,504	-
Passed-through St. of LA Department of Health and Hospitals			
Tuberculosis Program	93.283	21,863	-
Tuberculosis Program	93.116	85,200	-
Passed-through St. Louis County			
Communities Putting Partners to Work St. Louis	93.724	4,028	4,028
Passed-through United Way - Alabama			
Communities Putting Prevention to Work - ALABAMA	93.520	932,114	932,114
<u>Environmental Protection Agency</u>			
Healthy Indoor Environments	66.034	44,981	-
Passed-through Houston Advanced Research Center			
Environmental Health Clean Air Emissions	66.034	12,845	-
<u>U.S. Department of Transportation - Missouri Highway & Transportation Commission</u>			
Passed-through DOT Highway Planning and Construction - Missouri Highway and Transportation Commission Congestion Mitigation and Air Quality Agreement			
Voluntary Ozone Reduction St. Louis	20.205	278,163	278,163
Total		<u>\$ 1,577,580</u>	<u>\$1,214,305</u>

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ALBRIGHT, HILL & SUMPTER
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Independent Auditor's Report

Audit Committee

American Lung Association of the Plains - Gulf Region, Inc.
c/o Edward C. Rosentel, CPA – CFO/COO
8150 Brookriver Drive, Suite S-102
Dallas, Texas 75247

We have audited the financial statements of American Lung Association of the Plains - Gulf Region, Inc., as of and for the year ended June 30, 2011, and have issued our report thereon dated August 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of American Lung Association of the Plains - Gulf Region, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered American Lung Association of the Plains - Gulf Region, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Lung Association of the Plains - Gulf Region, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of American Lung Association of the Plains - Gulf Region, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of American Lung Association of the Plains - Gulf Region, Inc.'s financial statements will not be prevented or detected and corrected on a timely basis.

12160 North Abrams Road
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Audit Committee
American Lung Association of the Plains - Gulf Region, Inc

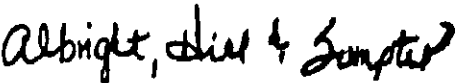
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Lung Association of the Plains - Gulf Region, Inc.'s financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within American Lung Association of the Plains - Gulf Region, Inc., and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Albright, Hill & Sumpter, PC
Certified Public Accountants



August 24, 2011



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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Audit Committee

American Lung Association of the Plains - Gulf Region, Inc.
c/o Edward C. Rosentel, CPA – CFO/COO
8150 Brookriver Drive, Suite S-102
Dallas, Texas 75247

Compliance

We have audited the compliance of American Lung Association of the Plains - Gulf Region, Inc. with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2011. American Lung Association of the Plains - Gulf Region, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of American Lung Association of the Plains - Gulf Region, Inc.'s management. Our responsibility is to express an opinion on American Lung Association of the Plains - Gulf Region, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about American Lung Association of the Plains - Gulf Region, Inc.'s compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of American Lung Association of the Plains - Gulf Region, Inc.'s compliance with those requirements.

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Audit Committee
American Lung Association of the Plains - Gulf Region, Inc.

In our opinion, American Lung Association of the Plains - Gulf Region, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of American Lung Association of the Plains - Gulf Region, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered American Lung Association of the Plains - Gulf Region, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of American Lung Association of the Plains - Gulf Region, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above.

Audit Committee
American Lung Association of the Plains - Gulf Region, Inc.

This report is intended for the information of management, the Board of Directors, and others within American Lung Association of the Plains - Gulf Region, Inc., and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Albright, Hill & Sumpter, PC
Certified Public Accountants

Albright, Hill & Sumpter

August 24, 2011

American Lung Association of the Plains - Gulf Region, Inc.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2011

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued.	Unqualified
Internal control over financial reporting.	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

FEDERAL AWARDS

Internal control over major programs.	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Identification of major programs:	
CFDA #93.250 Communities Putting Prevention to Work - ALABAMA	/
CFDA #20.205 Voluntary Ozone Reduction St. Louis	
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Section II - Financial Statement Findings

There were no findings related to the financial statements required to be reported under generally accepted government auditing standards.

Section III - Federal Award Findings and Questioned Costs

There were no findings related to the federal awards expended required to be reported under generally accepted government auditing standards.

The accompanying notes are an integral part of this schedule.